

**BYLAWS OF THE
ARANSAS PASS
MUNICIPAL DEVELOPMENT DISTRICT**

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ARTICLE I PURPOSE AND POWERS

SECTION 1. REGISTERED OFFICE AND REGISTERED AGENT

The Aransas Pass Municipal Development District (the "District") shall have and continuously maintain in the City of Aransas Pass (the "City") a registered office and a registered agent whose office is identical with such registered office. The Registered Agent for the District shall be the City Secretary of the City of Aransas Pass. The registered office of the District shall be 600 West Cleveland Boulevard, Aransas Pass, Texas 78336 whose mailing address is Post Office Box 2488, Aransas Pass Texas 78335. The Board of Directors (the "Board") from time to time may change the registered agent and/or the address of the registered office subject to the above limitations.

SECTION 2. PURPOSE

The District is a political subdivision of the State of Texas and the City for the purposes set forth in the Bylaws, the same to be accomplished on behalf of the City as its duly constituted authority and instrumentality in accordance with Chapter 377 of the Texas Local Government Code (the "Act"), other applicable laws, and City of Aransas Pass Ordinance No. 99-39. The District was established for the purpose of developing and financing all permissible projects prescribed by the Act, specifically including a convention center facility or related improvement such as a convention center, civic center, civic center building, civic center hotel, or auditorium, together with parking areas or facilities that are used to park vehicles and that are located at or in the vicinity of other convention center facilities.

SECTION 3. POWERS

In the fulfillment of its purpose, the District shall be governed by the Act, and shall have all of the powers set forth and conferred in the Act, and in other applicable laws, subject to the limitations prescribed therein and herein and to the provisions thereof and hereof.

ARTICLE II BOARD OF DIRECTORS

SECTION 1. NUMBER AND TERM OF OFFICE

- A. The property and affairs of the District shall be managed and controlled by the Board and subject to the restrictions imposed by law and these Bylaws. The Board shall exercise all of the powers of the District.
- B. The Board shall consist of eleven (11) Directors, each of whom shall be appointed by the City Council of the City. Each of the Directors shall be a resident of San Patricio County and the City of Aransas Pass.

- C. Six (6) Members of the initial Board shall serve terms of one (1) year and five (5) members shall serve terms of two (2) years. The respective terms of the initial Directors shall be determined by the City Council. Thereafter, each successive member of the Board shall be appointed and serve for two (2) years or until a successor is appointed as hereinafter provided. Nine (9) Directors shall be persons who are not employees, officers of the City or members of the City Council.
- D. Any Director may be removed from office by the City Council at will.

SECTION 2. VACANCIES AND RESIGNATIONS

A vacancy in any position of Director which occurs by reason of death, resignation, disqualification, removal, or otherwise shall be filled by the City Council. The District shall make a recommendation to the City Council of candidate (s) for each vacancy of the Board.

A Director may resign at any time. Such resignation shall be made in writing, addressed to the Mayor and the City Secretary, with a copy to the Board, and shall take effect at the time specified therein, or if no time is specified, at the time of its receipt by the City Secretary.

SECTION 3. MEETINGS OF DIRECTORS

For meetings of the Board or any of its committees, notice thereof shall be provided in accordance with the Texas Open Meetings Act, Chapter 551 of the Texas Government Code. Any member of the Board or officers of the District, may have an item placed on the agenda by delivering the same in writing to the Executive Director_no less than five (5) calendar days prior to the date of the Board meeting.

The annual meeting of the Board shall be on the second Tuesday of November of each year at 6:00 p.m. The Board shall hold regular and special meetings, in the corporate limits of the City, at such place or places as the Board from time to time determine and in conformance with the Texas Open Meetings Act.

SECTION 4. QUORUM

A quorum shall consist of a majority of the Board which shall be present for the conduct of the official business of the District. The act of a majority of the Directors at a meeting at which a quorum is in attendance shall constitute an action of the Board and of the District, unless the act of a greater number is required by these Bylaws, policies/procedures of the Board, Resolution or State Law.

SECTION 5. CONDUCT OF BUSINESS

- A. At all meetings of the Board, matters pertaining to the business of the District shall be considered in accordance with rules of procedure from time to time prescribed by the Board.
- B. At all meetings of the Board, the President shall preside, and in the absence of the President, the Vice President shall exercise the powers of the President.
- C. The Secretary of the District shall act as Secretary of all meetings of the District, but in the absence of the Secretary, the presiding officer may appoint any person to act as Secretary of the meeting. The Secretary shall keep minutes of the meetings of the Board and any committees and shall cause such official minutes to be recorded in books kept for that purpose in the principal office of the District.

SECTION 6. COMMITTEES OF THE BOARD

Committees of the Board may be established from time to time, each committee to consist of three (3) or more Directors. All official actions of the District, however, shall be approved only by the Board. Each committee so designated shall keep regular minutes of its meetings and shall cause such minutes to be recorded in books kept for that purpose in the principal office of the District.

SECTION 7. COMPENSATION OF DIRECTORS

The Directors, including the President, Vice President, Secretary, and Treasurer shall not receive any salary or compensation for their services, however, Directors may be reimbursed for their actual expenses incurred in the performance of their duties hereunder, including but not limited to the cost of travel, lodging and incidental expenses reasonably related to the duties of the Board. Travel expenses incurred by Directors for both regular and special meetings are not eligible for reimbursement.

ARTICLE III OFFICERS

SECTION 1. TITLES AND TERM OF OFFICE

The Board of Directors shall choose from its members a President and a Vice President. The Board of Directors shall also choose a Secretary and a Treasurer who may or may not be members of the Board of Directors. Officers shall serve for terms of one (1) year.

SECTION 2. POWERS AND DUTIES OF THE PRESIDENT

The President shall be the Chief Executive Officer of the District, and shall, subject to the authority of the Board, preside at all meetings of the Board, and absent any different designation by the majority of the Board, shall sign and execute all contracts, conveyances, franchises, bonds, deeds, assignments, mortgages, and notes in the name of the District. In addition, the President shall:

- A. Call both regular and special meetings of the Board and establish the agenda for such;
- B. Have the right to vote on all matters coming before the Board;
- C. Have the authority to appoint standing or study committees to aid and assist the Board in its business undertaking or other matters incidental to the operation and functions of the Board;
- D. Perform all duties incident to the office, and such other duties as shall be prescribed from time to time by the Board;
- E. Appear before the City Council, or be represented by a designee, periodically to give a report on the status of the activities of the District; and
- F. Appear before the City Council, or be represented by a designee, regarding any item being considered by the City Council concerning the District.

SECTION 3. VICE PRESIDENT

The Vice President shall exercise the powers of the President during that officer's absence or inability to act. The Vice President shall also perform other duties as from time to time may be assigned by the President or the Board.

SECTION 4. SECRETARY

The Secretary shall insure that: the minutes of the Board and its committees are recorded and retained as records of the District, all notices are posted and served as required by law, the books, records, and all documents and instruments are open to public inspection upon application at the office of the District during business hours. All duties of the office of Secretary shall be subject to the control of the Board. The Secretary shall attest the signature of the President or any other officer of the District and otherwise execute in the name of the District all contracts, conveyances, franchises, bonds, deeds, assignments, mortgages, notes and other instruments of the District.

SECTION 5. TREASURER

The Treasurer shall have the responsibility to insure the proper handling, custody and security of all funds and securities of the District. When necessary or proper, the Treasurer shall endorse and sign on behalf of the District, for collection or issuance, checks, notes and other obligations drawn upon such bank or banks or depositories as shall be designated by the Board consistent with these Bylaws. The Treasurer shall insure all entries in the books of the District give a full and accurate account of all monies received and paid out on account of the District. The Treasurer may be required, at the expense of the District, to give such bond for the faithful discharge of the duties in such

form and amount as the Board may require by resolution. The Treasurer shall assure that a monthly report is submitted to the Board of all checks or drafts issued on behalf of the District for the previous month. The Treasurer shall assure that a monthly financial report is provided to the Board concerning activities of the District.

SECTION 6. ATTENDANCE

Directors must be present in order to vote at any meeting. Regular attendance at the Board meetings is required of all Directors. Three (3) consecutive unexcused absences from meetings of the Board shall cause the position to be considered vacant. In addition, the position of any Director who has four (4) unexcused absences in a twelve (12) month period also shall be considered vacant. Directors shall submit a request to be excused, preferably in writing, to the Executive Director before a meeting in order to be excused from that meeting. The Executive Director shall notify the Board in writing of any termination due to absences on the Board.

SECTION 7. CONFLICT OF INTEREST

The members of the Board of Directors shall be considered local public officials within the meaning of Chapter 171 of the Texas Local Government Code. If a Director has a substantial interest, as that term is defined in said Chapter, in a business entity or real property which is the subject of deliberation by the Board of Directors, the Director shall file an affidavit with the Secretary of the District stating the nature and extent of the interest. Such affidavit shall be filed prior to any vote or decision upon the matter of the Board of Directors, and if required by said Chapter, the interested Director shall abstain from any vote or decision upon the matter.

SECTION 8. IMPLIED DUTIES

The District is authorized to take such actions as it may deem reasonable or necessary to accomplish any of the purposes or duties set out in these Bylaws in accordance with the Act and any other applicable laws.

SECTION 9. BOARD'S RELATIONSHIP WITH THE CITY

In accordance with the Act, the Board shall be responsible for the proper discharge of its duties assigned herein. The Board shall determine its policies and directives within the limitations of the duties herein imposed by applicable laws, these Bylaws, contracts entered into with the City, and budget and fiduciary responsibilities. Any request for services made to the departments of the City shall be made by the Board or its designee in writing to the City Manager. The City Manager may approve any such request for assistance from the Board when he finds such required services are available within the City and that the Board has agreed to reimburse the City for the cost of such services to provided, as provided in Article III, Section 10 of these Bylaws.

SECTION 10. CONTRACTS FOR SERVICE

The District may contract with any qualified and appropriate person, association, corporation or governmental entity to perform and discharge designated tasks which will aid or assist the Board in the performance of its duties. Provided that, no such contract shall ever be approved or entered into which seeks or attempts to divest the Board of its discretion and policy-making functions in discharging the duties herein set forth.

Subject to the authority of the City Manager under the Charter of the City, the District shall have the right to utilize the services of the staff and employees of the City provided (i) that the City Manager approves the utilization of such services, (ii) that the District may be required to reimburse reasonable compensation as approved by the City Manager for such services, and (iii) the performance of such services does not materially interfere with the other duties of such personnel of the City.

ARTICLE IV FUNCTIONAL DISTRICT DUTIES AND REQUIREMENTS

SECTION 1. EXECUTIVE DIRECTOR

The Executive Director shall be the Chief Administrative Officer of the District and be in general charge of the properties and affairs of the District and shall administer all work orders, requisitions for payment, purchase orders, contract administrative/oversight, and other instruments or activities as prescribed by the Board in the name of the District. The Executive Director shall endorse and countersign, on behalf of the District, for collection or issuance, checks, notes and other obligations in or drawn upon such bank or banks or depositions as shall be designed by the Board consistent with these Bylaws. The Executive Director may be an employee of the City.

The Executive Director shall employ such full or part-time employees as needed to carry out the programs of the Board as approved by the District. These employees may be employees of the City and perform those duties as are assigned to them. These employees shall be compensated as prescribed in Article III, Section 10 of these Bylaws. The Executive Director shall have the authority to hire, terminate, direct and control the work as functionally appropriate, of such employees.

SECTION 2. PARTICIPATION IN BOARD MEETINGS

The Executive Director shall have the right to take part in any discussion of the Board, or committees thereof, including attendance of executive sessions, but shall not have the power to vote in any meetings attended.

SECTION 3. FUNCTIONAL DUTIES AND RESPONSIBILITIES GENERAL ECONOMIC DEVELOPMENT PLAN

The District may research, develop and prepare an Economic Development Plan for the City, which shall include proposed methods and the expected costs of implementation. The Plan shall include both short-term and long-term goals for the economic development of the City, proposed methods for the elimination of unemployment and under-employment, and the promotion of employment, through the expansion and development of a sound, retail, industrial and manufacturing base for and within the City. The District shall review and update the Plan each year prior to submission of the annual budget required by other provisions of these Bylaws.

SECTION 4. ANNUAL BUDGET

At least thirty (30) days prior to October 1st each year, the Executive Director shall prepare and present a proposed budget of expected revenues and proposed expenditure for the next ensuing fiscal year to the Board. The fiscal year of the District shall commence on October 1st of each year and end on September 30th. The budget shall contain such classifications and shall be in such form as may be prescribed from time to time by the Board. The budget proposed for adoption shall include the projected operating expenses, and such other budgetary information as needed. The budget shall be considered adopted upon formal approval by the Board of Directors. The District shall adopt a budget prior to October 1st of each fiscal year.

SECTION 5. FINANCIAL BOOKS, RECORDS, AUDITS

The Treasurer shall keep and properly maintain, in accordance with generally accepted accounting principles, complete financial books, records, accounts and financial statements pertaining to its funds, activities and affairs.

The District's financial books, records, accounts, and financial statements shall be audited at least once each fiscal year by an outside, independent auditing and accounting firm selected by the District. Such audit shall be at the expense of the District.

SECTION 6. DEBT, DEPOSIT AND INVESTMENT OF FUNDS

All proceeds from the issuance of bonds, notes or other debt instruments (the "Bonds") issued by the District shall be deposited and invested as provided in the Resolution, order, indenture, other documents authorizing or relating to their execution or issuance and handled in accordance, with the statute governing this District, but no bonds shall be issued including refunding bonds by the District without the review and comment of the District's bond counsel and financial advisor.

All monies of the District shall be deposited, secured and/or invested in the manner provided for the deposit, security and/or investment of the public funds of the District as authorized by the District's Investment Policy. The District shall designate the accounts and depositories to be created and designated for such purposes, and the methods of withdrawal of funds therefore for use by and for the purposes of the District upon the signatures of any two of the following: President, Secretary, Treasurer, or Executive

Director. The investment of funds shall be performed by the Investment Officer of the District. The District may be required to pay reasonable compensation for such services as prescribed in Article III, Section 10, of these Bylaws.

SECTION 7. EXPENDITURES OF MONEY

The monies of the District, including sales and use taxes collected pursuant to the Act, the proceeds from the investment of funds of the District, the proceeds from the sale of property, monies derived from the repayment of loans, rents received from the lease or use of property, the proceeds derived from the sale of bonds, and other proceeds may be expended by the District for any of the purposes authorized by the Act, subject to the following limitations:

- A. Expenditures that may be made from a fund created from the proceeds of bonds, may be used for the purpose of financing or otherwise, providing one or more projects as defined in the Act. The specific expenditures shall be described in a Resolution or order of the Board and shall be made only after the approval thereof by the District.
- B. All other proposed expenditures shall be made in accordance with and shall be set forth in the annual budget required by these Bylaws or in contracts meeting the requirements of this Article.

No bonds, including refunding bonds, shall be authorized or sold and delivered by the District unless the District shall approve such bonds.

SECTION 8. CONTRACTS

As provided herein, the President and Executive Director, shall enter into any contracts or other instruments which the Board has approved and authorized in the name and on behalf of the District. Such authority may be confined to specific instances or defined in general terms. When appropriate, the Board may grant a specific or general power of attorney to carry out some action on behalf of the Board, provided, however, that no such power of attorney may be granted unless an appropriate Resolution of the Board authorizes the same to be done.

ARTICLE V MISCELLANEOUS PROVISIONS

SECTION 1. SEAL

The Board may obtain a seal which shall bear the words “Aransas Pass Municipal Development District” and the Board may thereafter use the seal and name, but these Bylaws shall not be constructed to require the use of the seal for any purpose.

SECTION 2. INDEMNIFICATION OF DIRECTORS, OFFICERS AND EMPLOYEES

As provided in the Act, the District is for the purposes of the Texas Tort Claims Act (Subchapter A, Chapter 101, Texas Civil Practices and Remedies Code), a governmental unit, and its actions are governmental functions. The District shall indemnify each and every member of the Board, its officers and its employees, and each member of the City Council and each employee of the City, to the fullest extent permitted by law against any and all liability or expense, including attorneys fees, incurred by any of such person by reason of any actions or omissions that may arise out of the functions and activities of the District. This indemnity shall apply even if one or more of those to be indemnified was negligent or caused or contributed to cause any loss, claim, action or suit. Specifically, it is the intent of these Bylaws and the District to require the District to indemnify those named for indemnification, even for the consequences of the negligence of those to be indemnified which caused or contributed to cause any liability.

The District shall purchase and maintain insurance on behalf of any Director, Officer, employee, or agent of the District, or on behalf of any person serving at the request of the District as a Board member, officer, employee or agent of another District, partnership, joint venture, trust or other enterprise, against any liability asserted against that person and incurred by that person in any such capacity or arising out of any such status with regard to the District, whether or not the District has the power to indemnify that person against liability for any of those acts.

SECTION 3. GIFTS

The Board may accept on behalf of the District any contribution, gift, bequest or device for the general purpose or for any special purposes of the District.

SECTION 4. CODE OF ETHICS

Each Director, including the President and Vice President, its officers, employees and agents shall abide by and be subject to the City's Code of Ethics. The Code of Ethics shall be applicable to independent contractors of the District, except to the extent that such independent contractor is not performing work on behalf of the District.

SECTION 5. AMENDMENTS TO BYLAWS

These Bylaws may be amended or repealed and new Bylaws may be adopted by an affirmative vote of six (6) of the authorized Directors serving on the Board.

SECTION 6. EFFECTIVE DATE

These Bylaws and any subsequent amendments hereto, shall be effective as of and from the date on which approval has been given by the Board of Directors of the Aransas Pass Municipal Development District.

CERTIFICATE OF SECRETARY

I certify that I am the duly elected and acting Secretary of the Aransas Pass Municipal Development District, and the foregoing Bylaws constitute the Bylaws of the District. These Bylaws were duly adopted at a meeting of the Board of Directors held on the ____ day of _____, 2006.

Signed this ____ day of _____, 2006.

Secretary of the District _____
Sherri Tringali